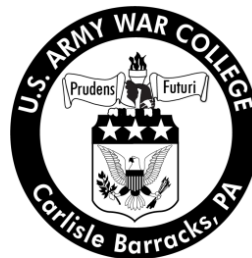


Strategy Research Project International Fellow

China's Increasing Influence in Oceania: Implications for the United States

by

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United States Army War College
Class of 2013

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Abstract

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China's increasing influence in Oceania over the past decade has implications for the United States' wider rebalance strategy to the Asia-Pacific. While there is an emergence of common interests between the United States and China in Oceania that could serve to build greater levels of strategic trust and benefit the bilateral relationship between the two powers, China's economic and political interests has increased the complexity of international relations in Oceania from the historical norm. These altered dynamics require the United States to adopt a more comprehensive and consistent approach to engagement in Oceania that not only balances China's influence, but supports United States interests, the interests of regional partners, and development of the island nations across the region.

China's Increasing Influence in Oceania: Implications for the United States

Our enduring interests in the region demand our enduring presence in the region. The U.S. is a Pacific power, and we are here to stay.¹

—Barak Obama

President Obama's address to the Australian Parliament in the fall of 2011 signaled the reinvigoration of United States engagement in the Asia-Pacific.² These announcements were followed with the release of the United States Department of Defense's (DoD) new strategic guidance in January 2012, which articulated priorities in the DoD domain for sustaining U.S. global leadership in the 21st century.³ While the guidance acknowledged the challenging global security environment and ongoing threat posed by terrorist organizations to the United States' security and prosperity, it also emphasized the nation's inextricable economic and security links, challenges, and opportunities in a geographic sphere stretching from the Western Pacific to the Indian Ocean, creating the "necessity" to "rebalance to the Asia-Pacific region."⁴ This "necessity" is based on the current Administration's belief that "the center of gravity for U.S. foreign policy, national security, and economic interests is shifting towards Asia," and that the United States needs to be appropriately postured to take advantage of the opportunities presented by the shift in power to this region, and in particular, the growing influence of China.⁵

Analysis and surrounding discussion of the new strategy has expectedly focused on the East-Asian region of the Asia-Pacific, given the intensity of economic, political, and security interests of this region for the United States. However, the Oceania region that geographically connects East-Asia with the Pacific U.S. has by default also increased in geopolitical, and potentially geostrategic, importance to the United States

as a consequence of the new strategy. Yet, unlike East-Asia, United States engagement in Oceania waned with the conclusion of the Cold War. As a consequence, the United States relied on regional powers Australia and New Zealand to maintain security and development initiatives in Oceania over this period.⁶ Concurrently, Chinese interests and influence significantly increased in Oceania, particularly in the first decade of the new millennium, as China adopted a globally focused foreign policy. China's approach includes increased levels of diplomacy and engagement, development of new economic relationships, and increased delivery of developmental assistance programs.

This paper will evaluate the implications of China's increasing influence in Oceania from the perspective of the United States. The paper will address China's interests and influence in the developing island nations of the region, and compare and contrast China's strategy and approach with the United States' interests, strategy, and policies in these nations. The paper will also evaluate the impact of China's engagement with the United States' traditional partners and regional powers Australia and New Zealand, and assess the impact of China's influence on their respective interests and influence in this region. The author will contend that the United States remains primarily motivated by security interests in Oceania, while China's interests are principally political and economic in nature. Accordingly, the likelihood of serious friction between the two powers in this region is very low. Furthermore, there is an emergence of common interests between the United States and China, particularly in the developmental assistance area that could be leveraged to promote cooperation and foster increased levels of strategic trust that is likely to benefit the broader bilateral relationship between China and the United States in the long term. However, the United

States must appreciate that the traditional regional order provided by the United States, Australia, and New Zealand is no longer the sole influence in this region, with China now providing alternate economic, and in some instances, political relationships for the island nations that increases the complexity of foreign relations in Oceania.

Background

Oceania encompasses the central Pacific sub-regions of Micronesia, Melanesia, and Polynesia. The region consists of fourteen nation states, numerous territories, and a number of self governing freely associated states.⁷ The territories and self governing freely associated states are administered or assisted by regional powers including Australia, New Zealand, the United States, and France. Excluding Australia and New Zealand, the region covers a geographic area of 20 million square miles of ocean and 117,000 square miles of land, of which 80% of this land lies in Papua New Guinea (PNG).⁸

The Pacific Islands are predominantly populated by indigenous groups that are ethnically homogenous to specific sub-regions. This includes Melanesians in the west, Polynesians in the east, and Micronesians in the north of the region.⁹ The collective population of Oceania is around 36 million people, of which around 9 million inhabit the island nations, with the majority of the remaining population centered in Australia (22 million) and New Zealand (4.4 million). PNG is by far the most populous of the island nations at 6 million. The four sub-regions also generally correlate with four distinct spheres of regional influence, based on former colonial relationships and current territorial or free association arrangements. The United States' sphere incorporates Micronesia east through central and northern Polynesia to Hawaii. Australia's sphere

concentrates primarily in Melanesia, France in its administered territories of French Polynesia and New Caledonia, and New Zealand in southeastern Polynesia.¹⁰

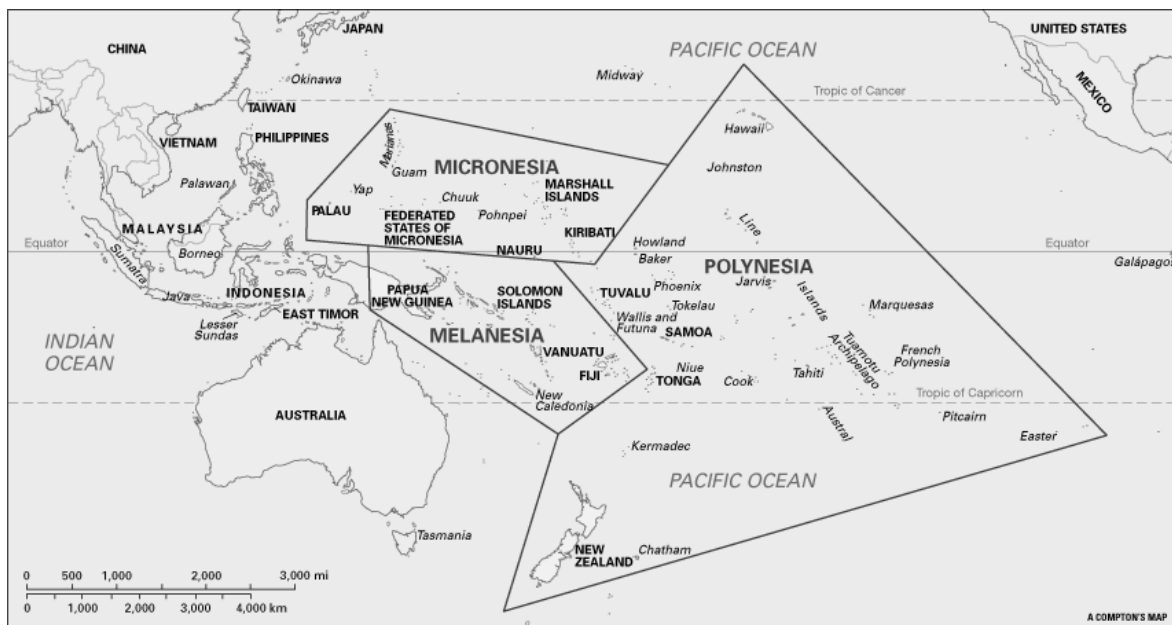


Figure 1: Oceania¹¹

With the exception of PNG, the combined landmass of the island nations is very small. However, the collective Exclusive Economic Zones (EEZ) of these nations equates to around 20 million square miles of ocean, representing an area twice the size of the continental United States.¹² These waters are a major fisheries resource and hold significant ecological, scientific, and touristic value given the distinct coral and maritime ecosystems that surround the islands and atolls of the region.¹³ The seabed within the territorial waters and EEZ's is also a new domain for mineral exploration, given the seabed is known to contain enormous deposits of manganese, copper, and cobalt.¹⁴ The world's first seabed mining operation to extract copper and gold is scheduled to commence in the Bismarck Sea off Papua New Guinea in 2013.¹⁵

The twelve island nations of Oceania are weak by traditional measures of state power despite relative stability across the region since the conclusion of World War II. These nations are relatively poor, hold very limited, if any military capabilities, and limited diplomatic influence.¹⁶ New Zealand's most recent defense White Paper (2010) characterizes the generic challenges that the region continues to face including chronic social, environmental, and governance stresses, and the challenges associated with globalization.¹⁷ More acutely, these challenges include non-traditional transnational security threats such as illegal and unregulated fishing, frequent natural disasters, rising sea levels which threaten the existence of low lying nations, and increasing transnational crime.¹⁸ The cumulative impact of these factors and stresses is continued "fragility" in the region for the foreseeable future.¹⁹ Despite these challenges, the majority of the island nations are established or developing democracies based on western political ideologies.²⁰ The exceptions are Tonga which is a Monarchy, and Fiji which has an Interim Military Government following a military coup in 2006. Tonga is currently undergoing political and constitutional reform, while Fiji is transitioning back to democracy with elections scheduled for 2014.²¹

China's engagement in Oceania increased significantly over the past decade. This is consistent with increased engagement by China globally in order to secure resources and establish new economic relationships to support domestic growth and development. However, China's relations with the region extends over four decades, with diplomatic relations established with New Zealand in 1972, Australia in 1973, and Fiji, Western Samoa, and Papua New Guinea in the mid 1970's. Since this period, China established formal or informal relations with all independent and self governing

states in Oceania, and with major regional organizations including the Pacific Islands Forum (PIF), and emerging forums such as the Melanesian Spearhead Group.²²

China's increased engagement in Oceania coincided with reduced commitment to the region by the United States over the past 20 years, particularly in the South Pacific. This reduced commitment commenced at the conclusion of the Cold War with budget reductions that impacted the United States' diplomatic and development footprint in the region. These reductions were further exacerbated by the significant demands security commitments to the Middle East and Afghanistan placed on the United States 'diplomatic, defense, and development resources over the past decade.²³ While some observers claim that China exploited the opportunity presented by reduced United States engagement in Oceania, closer analysis demonstrates this assertion is not an accurate reflection on the situation. The United States has retained strong levels of engagement in Micronesia over this period, while regional partners Australia and New Zealand have retained similar levels of engagement and influence in Melanesia and the South Pacific, ensuring western based ideals retained precedence in Oceania, despite China's increased interests. The later arrangements also reflect historical norms, where the levels of United States engagement in Melanesia and the South Pacific have historically not been significant.²⁴ Finally, Oceania is but one of a number of developing regions globally where China has expanded its influence over the past decade as its economic power has increased. Regardless, China's emergence in the region has an air of permanence that is likely to have implications for United States strategy and policy as the nation reengages in Oceania as a component of the broader rebalance to the Asia-Pacific.

China's Interests, Strategy, and Policies in Oceania

China's interests, strategy, and policies in Oceania are primarily driven by political and economic factors. A concerted effort to counter Taiwan's political relationships in the region has remained at the forefront of China's approach; given six of the fourteen nations in Oceania formally recognize Taiwan.²⁵ This intense diplomatic competition has defined China and Taiwan's engagement in the Pacific, and is frequently referred to as the "checkbook diplomacy" period that only receded in 2008 following a diplomatic truce between Beijing and Taipei.²⁶ In the decade prior to the truce, a number of island nations switched allegiance between Beijing and Taipei in return for developmental funding, which some observers claimed created political instability, and resulted in the implementation of development programs that did not necessarily address longer term development needs of the nations and region as a whole.²⁷ While this competition has subsided since 2008, it is clear that China will remain averse to Taiwan cultivating or expanding its diplomatic relations in the South Pacific in accordance with its One China Policy,²⁸ and continuing to counter Taiwanese influence will remain a key motivating factor for China's engagement in the region.

The second element to China's political interest is the significance of the voting bloc that Oceania represents in international forums such as the United Nations. Island nations tend to vote along similar lines in international forums given their close association, shared interests, and common challenges. This voting power is particularly significant in organizations such as the Asian Development Bank (ADB), where as a collaborative body, the island nations hold the equivalent of 75% of the voting power of India or China.²⁹ Garnering the support of such a bloc can be significant when attempting to promote a favorable national position in the international arena, and is

likely to remain a significant interest for China as it seeks to build influence in important regional and global forums.³⁰

From an economic perspective, China's interests in the island nations are based around access to minerals, timber, and fisheries resources to sustain economic growth. Chinese companies hold bauxite mining interests in the northern island of Bua in Fiji, while interests in PNG's abundant quantities of natural, mineral and energy resources has attracted significant investment, including a major holding in the Ramu Nickel and Cobalt Mine by the government owned Chinese Metallurgical Construction (Group) Corporations.³¹ Additionally, China also recently increased its investment assistance to PNG in 2012 through a \$2.3 billion soft loan to improve major infrastructure including roads, telecommunications services, electricity, and ports.³² This loan is also likely to have made China the largest provider of developmental assistance in Oceania in the 2012 year, surpassing Australia.³³ What remains to be determined is whether China will sustain similar levels of investment on a consistent basis and supplant Australia as the major provider of development assistance in the region, or the levels seen in 2012 is an isolated occurrence driven by specific Chinese interests in PNG.

The potential of undersea mineral exploration is also of significant interest to both China and the island nations alike. The Canadian company Nautilus plans to commence undersea mining in the Bismarck Sea of PNG in 2013, where it estimates the mining site could hold up to 10 tons of gold and 125,000 tons of copper.³⁴ Tong Ling, China's largest importer of copper concentrates, recently signed a deal with Nautilus to supply more than one million tons of Pacific sulfide ores annually, which would represent around 5% of the world's copper production.³⁵ Other island nations are observing the

developments in PNG with considerable interest, with the Cook Islands recently initiating a framework through the Secretariat of the Pacific Community (SPC) for the conduct of future seabed mineral exploration.³⁶ Previous estimates of the manganese deposits within the Cook's EEZ alone have been estimated at over \$200 billion.³⁷ The Cook Islands initiative coincides with China's recent announcement at the 2012 Pacific Island's Forum of its desire to increase cooperation with island countries in the research and sustainable exploration of deep-sea mineral resources.³⁸

Commercial fishing also represents a significant interest for China in Oceania. China maintains the largest fishing industry in the world and accounts for over 34% of global production. Fishing is also the country's largest agricultural export, representing 9.3% of China's GDP.³⁹ China's fishing sector is of critical importance to national food security and economic development. However, overfishing and environmental degradation in Chinese waters necessitates a reliance on developing a deep water fishing capability to meet demand and relieve pressure on China's inshore and offshore marine environment.⁴⁰ This extends to Oceania where China maintains permanent fleets in the Federated States of Micronesia and Fiji, and processing plants in Vanuatu, the Cook Islands, and Papua New Guinea.⁴¹ This footprint is also expanding, with China recently signing an agreement with the Cook Islands to double the size of its tuna fleet including building twenty new state-of-the-art trawlers.⁴²

China's political and economic interests are underpinned by a significant developmental assistance program in the region. In the past decade, China has become the third largest donor in Oceania after Australia and the United States, with 2009 estimates indicating annual pledges of around \$210 million through a combination of

grants and soft loans.⁴³ China's development assistance has generally focused on infrastructure, industrial, and agricultural projects, with 80 such projects completed in the island nations over the past number of years.⁴⁴ However, China's approach to developmental assistance has also drawn criticism from some observers, who claim that Beijing's preoccupation with countering Taiwan's influence in the region has often resulted in the delivery of programs that are heavily focused on infrastructure at the expense of meeting the immediate development needs of the recipient nations.⁴⁵ Such projects can also burden the recipient nation with significant ongoing operating and maintenance costs, placing additional economic strain on already modest economic resources. An example is China's funding of a \$13 million swimming complex in Samoa, which observers have noted is beyond the means of Samoa to maintain.⁴⁶

There has also been criticism over the apparent lack of transparency in the composition of China's aid; given the Chinese government does not release official figures on global development expenditure. This is believed to be influenced by both domestic considerations and foreign factors.⁴⁷ Domestic factors include managing internal perceptions of extensive overseas investment given many Chinese remain in poverty, and the fact that China does not have a single central agency responsible for development programs, which often results in aid being delivered in an ad hoc and uncoordinated manner by a number of agencies.⁴⁸ This criticism was reiterated by Secretary of State Clinton at the 2012 Pacific Island Forum (PIF), where she highlighted the United States' desire to see China provide development assistance in a transparent and sustainable manner that considers the well-being of the Pacific people and their environment.⁴⁹

Recent evidence suggests that China may be re-orientating its development assistance programs to more closely align with addressing pressing development priorities in the region. At the same PIF meeting, China's Vice Foreign Minister announced that China's development assistance would be focusing on climate change initiatives, agricultural development, increasing healthcare capacity, fisheries conservation and management, marine protection, and promoting women's development and gender equity.⁵⁰ Such an approach provides potential opportunities for cooperative development with regional partners including the United States, given the majority of these initiatives focus on areas of common of interest for not only the United States and China, but also for other major donors in the region including Australia, New Zealand, and Japan.

Finally, in the military domain, China's engagement in Oceania is limited to training and education exchanges, logistic support, and building security capacity in areas such as counter-drug operations and disaster relief.⁵¹ The majority of this engagement occurs with Fiji, with some limited engagement with Tonga.⁵² It is probable that the current levels of military engagement are unlikely to change in the near term; given the Chinese Vice Foreign Minister's recent statement that China has no intention to establish any military presence or bases in the Pacific.⁵³ This position is also consistent with official assessments from within the region that see military engagement remaining limited to offers of defense cooperation.⁵⁴

U.S. Interests, Strategy, and Policies in Oceania

In contrast, the United States' relationship with Oceania is characterized by strategic and security interests. From a historical perspective, the Japanese attack on Pearl Harbor and the subsequent protracted campaign to liberate the central Pacific

from Japanese occupation in WWII remains a significant and defining event in both the region's and the nation's history. Since that campaign, security and defense interests have defined United States interests in the region, given the localities of the State of Hawaii, the territories of Guam and American Samoa, and key security relationships with the former territories that make up the Freely Associated States of Micronesia, which collectively delineate Oceania as the United States' "western border."⁵⁵

These defense and treaty obligations, including obligations to key security partner Australia, represent the United States' vital interests in Oceania. Guam and the Micronesian sub-region hold geostrategic significance, given they provide strategic depth into the northern and central Pacific, shorten sea lines of communication between both Hawaii and the West Coast of the continental United States with Asia, and provide a buttress for United States military forces stationed in Japan and South Korea.⁵⁶ The Marshall Islands also support the maintenance and development of United States missile capabilities and space tracking facilities at Kwajalein Atoll. In the southwest of the region, Australia provides strategic depth to both the Asia-Pacific and Indian Ocean, remains the "bedrock" ally of the United States in Oceania, and one of the United States' most enduring bilateral relationships.⁵⁷

United States reengagement with Oceania commenced in 2007 under the Bush Administration. This coincided with the designation of 2007 as the "Year of the Pacific," and recognition by the Administration that the region had received reduced levels of attention and engagement since the conclusion of the Cold War.⁵⁸ Examples of what was termed "benign neglect" by the Chairman for the Congressional Sub-Committee for the Asia-Pacific included the withdrawal of the regional USAID Office from Suva in

1996, withdrawal of the United States diplomatic mission from the Solomon Islands, and infrequent and inconsistent engagement by senior members of the Administration with Pacific Island leadership.⁵⁹ The later element was addressed to a degree in May 2007 when Secretary of State Condoleezza Rice hosted the Pacific Island Conference of Leaders in Washington D.C.⁶⁰ However, concerns with United States strategy and policy remained, including criticism that the United States had placed an “overreliance” on Australia and New Zealand at the expense of more independent strategies and policies tailored to the United States’ interests.⁶¹ These concerns reflect the reality of the United States’ approach to the South Pacific since the conclusion of the WWII, where United States’ engagement “has not been particularly robust,” preferring to exercise its influence through regional partners.⁶² This resulted in some South Pacific island leaders perceiving that they have been neglected by the United States.⁶³

The Obama Administration revitalized the development of the reengagement strategy in 2010, recognizing that the United States needed to “profoundly step up its game” in a region where we “essentially walked away from some of our most important historic, strategic and moral commitments.”⁶⁴ The cornerstone of this Administration’s approach to Oceania has been incorporated in the wider Asia-Pacific engagement strategy, anchored by five principles to promote continued United States engagement and leadership. These principles include using bilateral alliance relationships as the foundation of regional involvement, while pursuing other partnerships and dialogues with regional players; shaping regional institutions to advance shared objectives such as economic development and democracy; ensuring that regional institutions are effective and results orientated; maintaining flexibility in pursuing objectives; and determining

which regional institutions are defining in that they include all key stakeholders.⁶⁵ Within the context of Oceania, the bilateral alliance with Australia, partnership with New Zealand, and engagement with the Pacific Islands Forum (of which the United States is a dialogue partner) have been identified by the Administration as key pillars to the reengagement strategy for this region. Additionally, the Secretariat of the Pacific Community (SPC), which involves wider representation from the Oceania region to include the United States' Pacific territories as full members within its technical agencies, provides an additional body through which the United States can engage the region.⁶⁶

The strategy developed to include recent revised policy that demonstrates the increased importance and level of the United States' engagement in region. Former Secretary of State Clinton's attendance at the PIF in August 2012 reflects this focus and engagement. While attending the PIF, Secretary Clinton further elaborated on United States policy priorities for engagement in the region, emphasizing the key focus areas of sustainable economic development, education, gender equality, resource management and protecting biodiversity, and advancing regional security.⁶⁷ Additionally, Secretary Clinton announced a number of new programs, and expansion of existing programs, signifying an increased resource commitment and a more comprehensive approach to the region. These announcements include strengthening maritime surveillance through expanding the Ship Rider Program, engaging in additional collective maritime security efforts with regional partners and allies, and implementing programs to address pressing issues such as climate change and women's representation in society.⁶⁸ These policies and programs are also focused on some of

the key identified determinants to economic and social development for the island nations of the region, reflecting a more acute understanding by this Administration of issues pertinent to the respective sub-regions and individual nations in Oceania, and a shift from solely security driven interests and emphasis on the Micronesian sub-region.⁶⁹

From an economic standpoint, United States interests are primarily focused in the commercial tuna fishery and energy sector. The tuna fishery has served as a cornerstone for the United States' economic engagement and relations with the island nations since the South Pacific Tuna Treaty was implemented between the United States and the Forum Fisheries Agency in 1988.⁷⁰ The Treaty provides development opportunities for the island nations in return for access to tuna resources across the island nation's EEZs.⁷¹ The Treaty is currently being renegotiated, given some signatories are dissatisfied with the payments they receive from the United States, claiming the Treaty needs to evolve to accommodate changes in the industry and resource, such as revised catch quotas that account for the significant reduction in fish stocks. From the United States' perspective, the Treaty remains very significant to its engagement with the island nations, reflected by the Secretary of States' threat to withdraw United States aid if the renegotiation process fails.⁷²

Within the energy sphere, Exxon Mobil operates a \$19 billion liquefied natural gas project in PNG that is scheduled to commence shipments in 2014, and anticipated to produce around 10 million tons of gas annually.⁷³ However, outside of these two industries, the trade relationship between the United States and the island nations is modest. While eleven Pacific Island economies are eligible for preferential trade access to the United States, United States imports and exports represent only 2.2% of total

Pacific Island's trade, with the majority of this trade occurring with PNG and Fiji.⁷⁴ This is in contrast to China's economic engagement in the region, which has increased tenfold in the past decade and now accounts for 4.1% of total Pacific Island's trade.⁷⁵

Within the development sphere, United States assistance has generally ranked the nation in the top three donors to Oceania with annual contributions of around \$300 million. However, this statistic can be misleading given the majority of United States funding is provided under the Compact Agreement to the three small nations in Micronesia, with actual development assistance for the wider region totaling around \$15 million annually.⁷⁶ However, recent announcements at the PIF signaled an increase to this figure, with a further \$30 million committed over the next five years for a range of programs that target the specific focus areas identified by the Secretary of State at the PIF in August 2012.⁷⁷

Finally, the United States conducts military engagement programs in Oceania in addition to aforementioned maritime security initiatives. Most prominent is the annual Pacific Partnership exercise conducted by the United States Navy on behalf of United States Pacific Command. This is an annual exercise that alternates between South East Asia and Oceania. Pacific Partnership's focus is twofold; improving regional partnerships through the provision of medical and civic action programs, and enhancing the capacity of developing nations to more effectively deal with humanitarian crises and natural disasters.⁷⁸ In 2011, the USS Cleveland completed a four month deployment to Tonga, Vanuatu, PNG, Timor Leste, and the Federation States of Micronesia. The mission treated over 38,000 patients, conducted numerous community relations projects, and completed a number of essential infrastructure and engineering repairs in

some nations.⁷⁹ Most recently, Secretary of State Clinton announced a new initiative to address the risks posed by unexploded ordnance (UXO) in island nations that experienced conflict in WWII. This announcement was made at the 2012 PIF, and will involve the United States military conducting training to build the capacity of indigenous military or police personnel so they are capable of addressing these hazards as they arise.⁸⁰ Pacific Partnership and the UXO program provide significant opportunities for the United States to directly engage with the island nations in Oceania. These programs promote good will towards the United States, while concurrently addressing humanitarian issues and building increased capacity in the region.

Regional Powers: Australia and New Zealand

Australia is the largest and most influential country in Oceania, and is linked to the region by “shared geography and history.”⁸¹ Australia’s relationship to Oceania is based on its traditional business, community, sporting and personal ties, while its engagement with the region emphasizes a board range of national interests, including strategic, security, political, and economic interests.⁸² Australia’s policies and programs in the Pacific are focused towards the broad objectives of promoting a stable, prosperous and growing region.⁸³ It perceives its role in the region as a “special responsibility,” with a self imposed expectation to provide effective leadership, and recognition that Australia’s international reputation is measured by her performance in this region.⁸⁴ This responsibility has been demonstrated in recent times in the security domain through leadership of peace-keeping missions in Timor Leste and the Solomon Islands, and major contributions to disaster relief efforts.⁸⁵

Australia’s strategic interest in Oceania is articulated as its second highest strategic priority in the 2009 Defense White Paper through the provision of ‘secure

immediate neighborhood.⁸⁶ Specifically, Australia maintains enduring strategic interest in preventing or mitigating any attempt by a major non-allied military power challenging air and sea approaches to Australia, either directly or via access to bases in the immediate region.⁸⁷ Australia also plays a leading role in supporting internal stability and effective governance within countries surrounding Australia's immediate neighborhood. An example of this role is Australia's leadership of regionally based efforts to encourage political reform in Fiji.

Australia has historically provided the largest development assistance program in Oceania. Until 2012, it accounted for just over half of all development funding invested in the region, providing around \$1.2 billion of annual development assistance.⁸⁸ The objectives of Australia's development program are two-fold; development and prosperity, and influencing regional strategic and security issues.⁸⁹ Australia's program is also guided by the core principles of mutual respect, mutual responsibility, a focus on results, and a collaborative approach to achieving Millennium Development Goals.⁹⁰ Australia is also the most prominent trading partner with Oceania, accounting for around 17% of total Pacific trade in terms of imports and exports.⁹¹ The impact of this economic relationship and development program, coupled with longstanding relationships with many of the nations in Oceania region continues to underpin Australia's position as the predominant regional power.

Australia's relationship with the United States remains one of three fundamental elements of Australian foreign policy, alongside engagement with Asia, and engagement in the international multi-lateral system.⁹² The ANZUS alliance that underlies this relationship is also the most significant security partnership in Oceania,

providing the anchor to the United States' security strategy in the region.⁹³ The strength and importance of this relationship is demonstrated through two recent United States force posture initiatives. These initiatives involve the rotational deployment of a Marine Air Ground Task Force (MAGTF) to Darwin, and enhanced access to for United States assets to airfields in northern Australia, with the purpose of promoting greater levels of interoperability between the two nations, and improving access for the United States into South East Asia and Oceania.⁹⁴ Outside of the security relationship, Australia and the United States maintain engagement across a broad range of areas given similarities in culture and history. This includes strong bilateral economic ties centered on the free trade agreement implemented between Washington and Canberra in 2003.

Australia's relationship with China is characterized by very strong economic ties. China is Australia's main trading partner, with Australia providing significant quantities of natural resources such as iron ore and coal that have been essential to China's continued economic and infrastructure development, and pivotal to Australia's economic prosperity.⁹⁵ However, the economic interdependency between Australia and China and the "historic" shift in economic weight to Asia is currently triggering debate in Canberra given the strategic implications for Australia. Current Prime Minister Julia Gillard acknowledges that Australia has choices to make regarding the kind of strategic order that would best suit Australia's interests, and recently initiated a White Paper to inform this debate.⁹⁶ As part of this dialogue, former Prime Minister and current Foreign Minister Kevin Rudd presented a case for a shift away from *Pax Americana* of the past toward *Pax Pacifica* that accommodates China's legitimate aspirations. Rudd's approach is similar to Henry Kissinger's proposed concept for a "Pacific Community," in

which the United States, China, and other Pacific states belong to a common enterprise with the shared purpose of peaceful development, similar to the concept of the Atlantic Community created at the conclusion of WWII.⁹⁷ Kissinger highlights that such an approach would enable other major regional powers, including Australia, to shape a system perceived as joint rather than polarized between American and Chinese blocs.⁹⁸

Australia's current deliberations primarily pertain to the shifting strategic balance in Asia, with no evidence to suggest that is Australia is entertaining sharing their leadership role Oceania. However, there is acknowledgement in Australia that China's interests and influence in Oceania is likely to be long term. This was emphasized by the current Australian Foreign Minister Bob Carr immediately prior to the 2012 PIF, where he underlined the need for Australia and New Zealand to seek opportunities to collaborate and cooperate with China in the Pacific, as opposed to engaging in direct competition with China.⁹⁹

New Zealand

New Zealand has strong cultural, security, historic, and economic ties to the South Pacific. Around a quarter of its population is comprised of Maori and Pacific Islanders, representing a significant Polynesian influence on New Zealand's culture and identity.¹⁰⁰ New Zealand's vital interests within the Polynesian sub-region reflect constitutional obligations for the provision of defense and foreign policy for the Cook Islands, Tokelau, and Niue, and close relations and support for Samoa, which is a former New Zealand territory. These interests also reflect New Zealand's approach to overseas development assistance (ODA), with 60% of its annual ODA budget invested in the Pacific, making New Zealand one of larger providers of development funding to the region.¹⁰¹ New Zealand also maintains strong trade relations with the region, and

alongside Australia, is a major market for Pacific Island exports, while also being one of the major importers to the region.¹⁰²

Contributing to peace and stability in the South Pacific is a stated New Zealand Defense policy objective.¹⁰³ As the most recent Defense White Paper highlights, New Zealanders have an expectation that as a nation they will continue to play “a significant security and assistance role in the South Pacific,” particularly within the specific sphere of influence in the southeast of the region where New Zealand has constitutional obligations for the provision of foreign relations and/or defense to the island nations of the Cook Islands, Niue, and Tokelau.¹⁰⁴ This policy also articulates that in concert with Australia, New Zealand needs to be able to address any “reasonable foreseeable contingency in the South Pacific,” while also being ready to assist in those parts of the region where other powers retain primacy for their respective spheres, such as France in French Polynesia, and the United States in Micronesia.¹⁰⁵ Recent examples of New Zealand’s security commitments include support to Australian led peacekeeping missions in the Solomon Islands and Timor Leste, and frequent involvement in humanitarian assistance and disaster relief operations in the Pacific.

New Zealand is categorized as a close partner of the United States, given the implementation of anti-nuclear legislation in 1985 effectively suspended New Zealand’s collective security relationship and allied status that was established under the ANZUS treaty in 1951. United States officials have generally categorized the anti-nuclear issue as the only major policy difference between two nations that share significant common interests and values.¹⁰⁶ More recently, the Obama Administration rejuvenated the strategic partnership between the two nations with the signing of the Wellington

Declaration in 2010. The Wellington Declaration emphasizes a practical focus on cooperation in the Pacific region, and enhanced political and subject-matter dialogue between respective foreign ministers, foreign relations and defense staff, and political-military discussions.¹⁰⁷ This was followed by the Washington Declaration in June 2012, which is a more specific defense cooperation arrangement between the two nations. The Wellington Declaration focuses on “a shared commitment to a stable and peaceful Asia-Pacific region, and common approaches to address the region’s defense and security issues, including contemporary and non-traditional security challenges.”¹⁰⁸ From a trade perspective, the United States represents New Zealand’s third largest export market and the second largest source of direct foreign investment in New Zealand.¹⁰⁹ While the United States and New Zealand do not have a free trade agreement, it is anticipated that both countries will become signatories to the Trans Pacific Partnership (TPP) at some point in the near future given New Zealand is a founding member of the original TPP grouping.

New Zealand’s relationship with China is one of the more mature diplomatic and economic relationships of any Western democracy, with diplomatic relations established between Beijing and Wellington in 1972, and a Free Trade Agreement implemented in 2008; the first such agreement between China and a Western nation.¹¹⁰ China represents a significant export market for New Zealand agricultural and forestry products, and a significant investor in New Zealand’s primary industries.¹¹¹ China is also the largest source of foreign international students who study in New Zealand, and is projected to be New Zealand’s second largest source of tourists by 2014.¹¹²

China's level of engagement with New Zealand has not gone unnoticed by the United States, with former Assistant Secretary for East Asian and Pacific Affairs, Kurt Campbell, recently acknowledging that the United States can learn from New Zealand's experience engaging China on political and trade issues.¹¹³

New Zealand's perspective of the changing strategic balance in the Asia-Pacific is considered less intense than its close neighbor Australia, given New Zealand is not as dependent on Asia for economic prosperity.¹¹⁴ However, while New Zealand appreciates the benefits of increased engagement with China, as a small nation they also rely upon strong institutions to jointly manage the changing strategic balance in the Asia-Pacific.¹¹⁵ Within the context of the Pacific Islands, New Zealand officially welcomes China's increasing interest and investment in the region, and seeks to leverage the strong relationship between the two countries through joint development initiatives. An example is the recently announced water project for the Cook Islands, which is the first joint development project that China has entered into in Oceania¹¹⁶

Implications for United States Strategy and Policy in Oceania

China's increased economic and diplomatic engagement in Oceania has resulted in a more complex environment compared to the traditional order that prevailed in the region for the past three-quarters of a century. This has a number of implications for both the United States' reengagement strategy for Oceania, and broader strategic rebalance to the Asia-Pacific. For the most part, United States and Chinese interests, strategies and policies in Oceania appear relatively compatible, providing the basis for what Henry Kissinger defines as "fundamental" for the development of enhanced relations and strategic trust between the two powers.¹¹⁷ Analysis of the respective strategies, interests, and interdependencies of key stakeholders in Oceania also

suggests there are also more opportunities than risks for the United States as it proceeds with its reengagement strategy in this region.

Commonality between the United States and China in Oceania is primarily centered on each respective power's interests and policies to addressing determinants to development in the region. These commonalities include climate change, agricultural development, fisheries conservation and management, environmental protection, and the promotion of women's development and gender equity issues. Each of these areas also provide scope for the United States and China to apply relevant expertise in addressing specific issues, and avenues for potential cooperation. In China's case, its experience generating economic growth is applicable to the island nations, given both China and the island nations share common characteristics as developing nations. China also has considerable expertise in areas such as the development of renewable energy infrastructure that could serve to address the island nations' reliance on expensive imported fossil fuels for electricity generation, thereby addressing both a constraining factor to economic development and reducing carbon emissions that impact on the environment.¹¹⁸ Correspondingly, United States' expertise in the development of effective governance, institutions, promotion of dynamic civil society organizations, and promoting women's development and gender equity are all areas applicable to Oceania.

United States expertise coordinating the implementation of development assistance programs through USAID is also an avenue where the bilateral relationship with China could be further enhanced. As previously highlighted, Chinese development assistance in the Pacific has been criticized by some observers given the ad hoc

manner in which programs are delivered by Chinese government agencies. USAID could provide technical assistance to improve China's capacity to deliver effectively coordinated developmental assistance, in a similar manner in which the Australian agency AUSAID cooperated with Chinese agencies in 2009.¹¹⁹ This initiative would also benefit to the island nations in the long term, given the likelihood of delivering more focused assistance that addresses pertinent developmental requirements for the recipient nation.

In contrast, the likelihood of counterproductive competition developing between the United States and China in Oceania appears remote, provided China does not deviate from the current focus of its military engagement in the region. This is reinforced given the current positions of both Washington and Beijing also appear relatively well aligned and accommodating to each respective power's views and position. Secretary of State Clinton has highlighted that the Pacific region is "big enough" for both powers and that the United States welcomes China's presence in the region, provided its engagement is responsible, transparent, and benefits the local populations. From China's perspective, there is acceptance that they cannot afford to isolate themselves politically from the regional power bloc (United States, Australia, and New Zealand) through the pursuit of counterproductive policies. Underlying these factors is the absence of any significant Chinese military presence in the region, which tempers the intensity of the relationships, and reduces the likelihood for military competition that could destabilize the region from a security perspective.

However, there are areas and issues in Oceania that could serve as potential friction points in the United States-China relationship. These include China's continued

support for the military regime in Fiji; concerns with China's environmental stewardship record and the potential for environmental degradation in Oceania given China's economic interests in the region are primarily based on access to resources, and concerns with the transparency and structuring of China's developmental assistance programs. While these issues receive frequent attention from officials and observers and are monitored by regional forums such as the PIF and SPC, additional attention by United States is likely to be welcomed in Oceania, given the increased probability of eliciting a more responsible and transparent approach by China as it pursues its interests. This will promote United States interests while benefiting the region over the longer term.

Australia and New Zealand have been identified as key pillars for United States reengagement in Oceania, given the United States' desire to leverage the influence these two like minded nations hold in this region. However, as some observers have highlighted, Australian and New Zealand influence in this region may be diminishing due to China's increased presence, with China providing a viable alternate for the island nations from the traditional Australia-New Zealand bloc.¹²⁰ This is due to a number of factors which have implications for the United States' reengagement strategy.

The first factor concerns development funding, whereby Chinese aid differs from the Australian and New Zealand approach in that it is not conditions based.¹²¹ Island nations now have increased flexibility when selecting donors, with the ability to decline incentivized based aid from Australia and New Zealand that is often tied to progressing political reform, governance, and rule of law in preference for Chinese aid that comes without conditions.¹²² China's relationship with the interim military regime in Fiji is a case

in point, where western economic and political sanctions have been negated to a degree by Chinese aid and development assistance to Fiji.¹²³

The second factor concerns Australian and New Zealand policies to isolate the military government in Fiji following the 2006 coup, which resulted in Fiji's eventual suspension from the PIF and Commonwealth in 2009. Some observers have stressed that Fiji's suspension had the unintended consequence of undermining the status and influence of the PIF, given the prominent role Fiji plays in Pacific affairs.¹²⁴ Suspension also necessitated Fiji to actively seek new relationships, including increased bilateral engagement with China, membership to the Non-Aligned Movement, and leading the development of the Melanesian Spearhead Group: a forum that includes the membership of Melanesian nations, holds China as a dialogue partner, but excludes Australia and New Zealand.¹²⁵ While Fiji's political choices do not define the region given the majority of nations are stable democracies with a pro-western outlook, it does remain one of the most important island nations as the economic and political hub of the South Pacific.¹²⁶

The cumulative impact of these factors is a subtle paradigm shift to the regional order that has prevailed for the past three-quarters of a century, whereby the influence of Australia and New Zealand in Melanesia and the South Pacific on which the United States places considerable reliance, can no longer necessarily be assumed. This paradigm shift is recognized in New Zealand Defense Policy. While the policy does not specifically make reference to China's increased presence, reference is made to the increasing influence of "outside" countries in the region that is likely to continue, and may "test" New Zealand and Australia's ability to remain at the forefront of international

efforts to support Pacific Island states.¹²⁷ Consequently, there should not be an expectation that the small Pacific nations will naturally gravitate to a United States-Australian-New Zealand position.

This paradigm shift has implications for United States' approach in Oceania, given the reengagement strategy and policies are centered on engagement with established regional forums and leveraging relationships with regional powers Australia and New Zealand. Accordingly, the success of the United States' strategy and policies relies on the continued effectiveness of regional forums and Australia and New Zealand's influence in the region. This will require the United States should seek opportunities to balance the influence of the "outside" nations, including consideration of broader engagement strategies that include alternate regional forums such as the Melanesian Spearhead Group where Australian and New Zealand influence is negligible.

While Australia will remain the dominant regional power in Oceania and the United States' most important security partner in the region, the United States needs to be sensitive to the significance of the economic relationship between Australia and Asia as a whole, and with China in particular, given the influence this relationship may have on Australia's approach as the strategic balance in the wider Asia-Pacific region continues to develop with China's rise.¹²⁸ Australia has weathered the global financial crisis better than most western economies given eighty percent of its exports are now destined for the growth economies of Asia, of which a significant portion of these exports are to China.¹²⁹ While New Zealand's economic dependence on China is not as acute as Australia's, China remains a significant trading partner for agricultural exports.

New Zealand is also a benefactor of the strong Australia-China economic relationship, given Australia is New Zealand's largest trading partner. Although economic interdependence with China does not correlate to a paradigm shift in Australia and New Zealand's strategic outlook, it does highlight the importance these two like-minded nations place on maintaining productive relations with China. Similarly, China's success diplomatically in Oceania relies on the goodwill of Australia and New Zealand, as productive relations with these two countries is more important to China than its relations with South Pacific island nations.¹³⁰

The Secretary of State's recent visit to the PIF is significant. While the international media has generally portrayed this visit as a way of directly countering China's influence in the region, the fact the visit coincided with the announcement of a range of pertinent policies issues towards the island nations reflects considerably more depth and longevity to the Administration's approach than purely countering China's influence. The visit is also likely to reinvigorate the status of the PIF, and overcome the island nation's perception of "benign neglect" that was an unfortunate feature of United States policy in the region over the past two decades. Nonetheless, the challenge for the United States from this point forward will be identifying ways to maintain and increase levels of engagement with the island nations of the region to balance China's influence.¹³¹ As the Pacific Island's Trade Commissioner to China has highlighted, China's approach to the Pacific has been very consistent, reflected in the levels of diplomatic engagement and increasing levels of aid and development assistance.¹³² Current fiscal conditions are likely to constrain any additional increases in economic and developmental assistance should the United States seek to balance China's primarily

instruments of influence Oceania. This places increased importance on the need for continued comprehensive United States engagement in the region, including leveraging existing programs, and seeking new initiatives to support relationships building. Such an approach also provides the foundation for the United States to consider increasing developmental assistance in the future once fiscal conditions improve, provided such increases remain prudent and in the interests of the United States and the recipient nation at the time.

The United States instrument most likely to have capacity for increased engagement is the military. While Pacific Command's Theatre Security Cooperation Plan is currently centered on Pacific Partnership, this exercise occurs biennially in Oceania, and does not include all island nations when the exercise is focused in Oceania due to the geographic expanse of the region. Options for conducting civil action engagement in Oceania in the alternate years to Pacific Partnership would increase the frequency of civil action engagement, while also promoting engagement with those nations not included in the previous deployment program. A further initiative involves the development of an annual regional multi-lateral exercise, which specifically focuses on the development of regional HADR capabilities, and developing capacity within the island nations to respond to natural disasters. Such an exercise could leverage the expertise of Pacific Command's Center for Disaster Management, and provide a medium to improving key infrastructure in the island nations, such as points of entry, to enhance both local capacity and expedite international response time in the event of a future disaster.¹³³ Finally, opportunities for engagement between the United States and those island nations with military or paramilitary forces could be developed

to increase regional capacity for the conduct peace keeping and stability operations. Fiji has a long history of contributing to peace keeping missions globally, while Tonga and Vanuatu have frequently contributed to regional missions such as Bougainville and the Solomon Islands. Increased engagement with Fiji's military would also promote relationship building and increased United States influence among a key institution in Fijian society. Such relationships will be important for the United States as Fiji undertakes a return to democracy in 2014, and overcomes a turbulent period punctuated by three military coups over the past 25 years.

Further opportunities for engagement also exist in the information domain. The island nations have experienced exponential growth in affordable mobile technologies over the past decade, including commensurate increases in the use of associated social media applications, particularly among youth.¹³⁴ These technologies have reduced the impact of physical isolation that is a feature of the region, providing increased connectivity that benefits commerce, and an avenue to engage and influence a much larger segment of the population than has been historically possible. This presents a significant opportunity for the United States to develop a strategic communications campaign that supports the reengagement strategy and revised United States policy settings, emphasizes the relevance of Oceania within the broader rebalance strategy, and contributes to addressing perceptions of United States benign neglect towards Melanesia and the South Pacific.

While China's emergence has altered the geopolitical landscape in Oceania, the United States is likely to retain considerable strategic and political advantage due to a number of key factors. At the forefront is China's desire to maintain positive and

productive relationships with Australia and New Zealand at the expense of entering into competition with the United States for influence in the island nations. This primarily centers on the importance of economic relationships China requires to sustain continued domestic development, and the fact China is yet to establish any enduring relationships in the region. Currently, the majority of China's engagement is underpinned by economic relations, which alone, do not provide the foundations for stable and long-lasting relationships. These factors impact on the effectiveness of China's soft power.¹³⁵ In contrast, the United States retains advantages over China in Oceania due to its enduring relations with Australia and New Zealand, and commonalities with the island nations through the English language, Christian religion, and political and education systems.¹³⁶ The United States also has the luxury of being able to apply all instruments of national power in a comprehensive manner in Oceania should it so desire. This includes including military power, which provides significant advantages for the United States in support of development initiatives and addressing transnational issues that are likely to remain prevalent in the region for the foreseeable future.

Conclusions

Oceania is a complex region that requires a comprehensive and consistent approach as the foundation for United States' reengagement in the region. Part of this approach is an appreciation that Oceania is a very different environment to East-Asia and the Northwestern Pacific, and accordingly, requires discrete attention within the wider rebalance strategy to ensure the dynamics of the region are appropriately considered. United States strategy in Oceania has historically focused on the Micronesian sub-region since the conclusion of the Cold War, given to the geostrategic

importance of Micronesia in relation to United States security interests in North-East Asia. Concurrently, the United States relied upon regional powers and partners Australia and New Zealand to retain influence in Melanesia and the South Pacific. However, China's increasing economic and diplomatic interests over the past decade, particularly in the Melanesian and South Pacific island nations, has altered regional strategic dynamics. This has required the United States to revisit its strategy for this region within the broader context of the rebalance to the Asia-Pacific, including strengthening relations with ally Australia, and developing a new strategic partnership with New Zealand following a 25 year impasse due to New Zealand's anti-nuclear stance.

Former Secretary of State Clinton's recent attendance at the Pacific Island's Forum in the Cook Island in August 2012 signified a broadening of United States strategy towards Oceania, including expanded engagement and new policies and programs that are specific to the island nations of the region. This shift demonstrates increased United States commitment to Oceania, including an appreciation of the acute issues that will continue to impact on stability in the small island nations of the region. These include transnational issues such as climate change, illegal fishing, and developing indigenous capacity to respond to natural disasters; and societal issues such as gender equality. These issues also parallel a number of recently announced Chinese initiatives in Oceania. This highlights potential opportunities for the United States and China to collaborate in a developmental capacity in the Oceania, which would benefit the region as well as promoting increased levels of cooperation and understanding between the two powers. Oceania is comparatively benign from a

geopolitical and geostrategic perspective, devoid of competing United States and Chinese interests that could generate counterproductive competition. Further, there is no foreseeable challenge from China to United States military supremacy in the region. This enhances the potential for developing increased trust between the two powers centered on cooperation around common interests in Oceania, given the impacts of any misunderstandings is tempered by the absence of military competition. Increased trust would benefit the broader bilateral relationship between the United States and China in the long term, which would have utility when addressing more intense strategic issues in the wider Asia-Pacific region.

Although China's presence in Oceania creates opportunities for cooperation with the United States, China's strengthening economic ties with Australia and New Zealand has increased the complexity of strategic relationships in the region. While this dynamic is unlikely to impact on Australia and New Zealand's influence in Oceania, or their respective relationship with the United States, the United States must remain cognizant of the increasing economic interdependence that has developed between these partner nations and China. Accordingly, the United States must ensure its strategy and policies in Oceania are appropriately balanced towards productive relations with Australia and New Zealand, while also satisfying United States interests in this region. Further, the United States must continue to promote Australia and New Zealand's leadership role in the region to balance outside influences that could potentially undermine the common interests of this traditional bloc in Oceania. This is critical for the United States given the pivotal role Australia and New Zealand hold not only within the reengagement strategy, but in promoting United States influence and interests in Oceania over the long term.

While the United States should appreciate the dynamics of increased Chinese influence and interests in Oceania, ultimately it retains strategic flexibility and a competitive advantage over China given its enduring relationships with the traditional regional powers, ability to project all instruments of national power in a comprehensive manner, and greater affinity given similarities in culture and political ideologies. However, this advantage can only be exploited through consistent approach by the United States, particularly towards the Melanesian and South Pacific Island nations, given these nations have not experienced frequent United States engagement in the past, and now have viable alternate political and economic opportunities to the traditional western bloc. This requires the United States to demonstrate commitment to the region centered on a comprehensive and consistent engagement that leverages all instruments of power, including actively seeking new opportunities to deepen relations in the island nations. New opportunities could include expanding Pacific Command's Theatre Security Cooperation Plan with a focus on civil action and developing disaster relief capacity, and developing a strategic communications strategy that leverages the recent impact of digital connectivity and social media propagation in the island nations.

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